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## INTRODUCTION

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Table 6 lists all of the legislation passed in 2000 and is followed by a brief discussion of each item, except for the judicial confirmation resolutions. The narrative that

follows begins with HB 1, HB 4, and HJR 1, and ends with other session bills. Copies of HB 1, HB 4, and HJR 1 are included for reference in Appendices C - E

Table 6  
Bills Passed in the  
May 2000 Special Session

Bill No.	Subject
<u>House</u>	
HB 1	Statutory appropriations for economic development programs contained in HB 260
HB 2	Feed bill
HB 4	Reducing prop. taxes by increasing direct state aid and reimbursing local govt.
HB 7	Submit repeal of state inheritance tax to electors
HJ 1	Revise general fund revenue estimates for 2001 biennium
HJ 2	Opposition to redesignation of Missouri River
HJ 3	Urge Congress to modify estate taxes
<u>Senate</u>	
SB 2	Reduce foreign capital depository tax rate and revise computation
SB 4	Clarify bonding authority for aerospace technology infrastructure
SB 6	Invest coal tax trust funds in loans for new midsize businesses and enterprises
SB 7	Moratorium on new alternative livestock ranch license application until CWD test
SB 9	Economic feasibility and environmental soundness in reclamation of open pit mine
SB 11	Extend 1 cent aviation fuel tax
SB 13	Constitutional tobacco trust fund for healthcare programs
SR 1	Confirm Judge McCarter
SR 2	Confirm Judge Stadler
SR 3	Confirm Judge Jones

## HB 1 - ECONOMIC DEVELOPMENT

The legislature passed HB 1, which provides \$13.265 million in the 2001 biennium and \$16.430 million in each of the 2003 and 2005 biennia for various activities designed to encourage economic development. The purpose of the bill as stated was to implement programs not funded due to the invalidity of the coal producers' license tax contained in HB 260 passed by the 1999 legislature.

The legislature made several appropriations exclusive to the 2001 biennia. The legislature also provided statutory appropriations and transfers from the general

fund through the 2005 biennium, at which time the appropriations sunset and the programs must specifically receive authorization from the legislature for their continuance. The statutory appropriations and transfers are funded from general fund linked to the interest income of \$140 million of the permanent coal trust. (Because the law is silent on how the appropriations will be affected if interest income does not generate the full amount of the linked appropriations, Chief Counsel of the legislative branch has stated that the law assumes a proration of those appropriations.) Table 7 summarizes the appropriations.

**Table 7**  
**Appropriations in HB 1**  
**2001 through 2005 Biennia**

Activity	2001 Biennium	2003/2005 Biennia (Each)
Agriculture and Commerce		
Growth Through Agriculture Grants and Loans	\$896,000	\$1,792,000
Marketing and Business Assistance (Ag)	354,000	708,000
Business Recruitment	350,000	700,000
Certified Communities	425,000	850,000
Export Trade Enhancement	300,000	600,000
Small Business Development Centers	125,000	250,000
Small Business Innovative Research	50,000	100,000
Industrial Infrastructure Reimbursement	600,000	1,200,000
Cooperative Development Center	65,000	130,000
Manufacturing Extension Center	200,000	400,000
University System EPSCoR Grant Match	4,400,000	0
Board of Research and Commercialization		
Grants and Loans	2,350,000	9,700,000
Board Administration*	150,000	0
Treasure State Endowment	<u>\$3,000,000</u>	<u>\$0</u>
Total General Fund	<u>\$13,265,000</u>	<u>\$16,430,000</u>
Water and Sewer Pre-Engineering	<u>0</u>	<u>425,000</u>
Total Treasure State Endowment Funds	<u>\$0</u>	<u>\$425,000</u>

\*Board expenses must be requested and funded in HB 2 after the 2001 biennium.

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## HB 1 - ECONOMIC DEVELOPMENT

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The legislature also made a statutory appropriation of \$425,000 in each of the 2003 and 2005 biennia from the Treasure State Endowment special revenue account to provide grants to communities to fund water and sewer pre-engineering work.

### Departments of Agriculture and Commerce

The legislature funded a number of programs within the Departments of Agriculture and Commerce.

- Growth Through Agriculture Grants and Loans – these funds will be used to provide grants and loans through the Agriculture Development Council for projects designed to enhance value-added agriculture, including feasibility studies and marketing plans. The legislature approved \$896,000 each year through fiscal 2005
- Marketing and Business Assistance – the Department of Agriculture will hire additional staff (4.0 FTE) for agricultural product promotion (\$170,500 each year) and agricultural business assistance (\$183,500 each year).
- Business Recruitment – the Department of Commerce received \$350,000 each year to improve the perception of Montana's business climate by marketing Montana as a business location. A total of 2.0 FTE are included.
- Certified Communities – the legislature added \$425,000 each year through fiscal 2005 for grants to local economic development organizations in certified communities and counties. The maximum grant allowed to any of the 43 certified communities will be \$25,000, and the minimum \$5,000. The funds are for the purpose of establishing and maintaining an active network of local development organizations trained and prepared to respond to economic development opportunities and concerns.
- Export Trade Enhancement - \$300,000 was provided each year through fiscal 2005 to hire staff and maintain foreign offices to enhance and expand the state's efforts in developing and maintaining export trade.
- Small Business Development Centers – the legislature provided \$125,000 each year to provide, along with locally generated funds, matching funds for federal funds to support the Small Business Development Center Program and maintain its certification.

- Small Business Innovation Research - \$50,000 each year was appropriated to provide technical assistance to Montana companies to enable them to compete for federal funds. The funds are targeted toward the technology business base.

### Industrial Infrastructure Reimbursement

The legislature appropriated \$600,000 each year through fiscal 2005 for industrial tax increment financing districts to provide reimbursement of tax revenue lost due to the reduction in taxable value of business equipment mandated in SB 200 (passed by the 1999 legislature). Industrial tax increment districts were specifically excluded from reimbursement in SB 184 (also passed by the 1999 legislature). Language provides that reimbursement will be made among qualifying industrial tax increment districts on a proportional basis to the loss of taxable value as a result of SB 200 and as documented by the Department of Revenue.

### Cooperative Development Center

The Cooperative Development Center is located on the campus of Montana State University – Northern in Havre. The center, which has been in operation since January, works to promote cooperatives and cooperative action to provide economic development for rural Montana. The legislature appropriated \$65,000 each year through fiscal 2005 to match federal grants. The funds will be used to support the director's salary, and for communication and travel expenses. If additional grants are received, the funds would be used to hire additional staff.

### Manufacturing Extension Center

General fund of \$200,000 per year through fiscal 2005 was provided to the Department of Commerce to provide additional support for the Manufacturing Extension Center on the campus of Montana State University – Bozeman. The center provides financial and managerial support to Montana manufacturers.

### Montana University System

The legislature appropriated \$4.4 million in the 2001 biennium to the Montana University System to match National Science Foundation EPSCoR grants. Federal

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## HB 1 - ECONOMIC DEVELOPMENT

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EPSCoR grants are used to fund specific research projects and to provide research infrastructure to enable the campuses to win federal grants and to attract and maintain research faculty. The appropriation was provided in the 2001 biennium only to provide match funds for grants already accepted by the Montana University System.

### Board of Research and Commercialization

The Board of Research and Commercialization was established in HB 260 by the 1999 legislature. Its purpose, within statutory guidelines, is to oversee grants and loans from the newly created research and commercialization expendable trust fund. (Grants can only be made to provide match for grants from non-state sources that are to be used for research and commercialization projects at research and commercialization centers in Montana.) HB 1 appropriates:

- 1) \$150,000 for administrative expenses of the board and \$2.35 million for grants in the 2001 biennium; and
- 2) \$4.85 million each year for grants in the 2003 and 2005 biennia.

Administrative expenses of the board after the 2001 biennium must be requested in the general appropriations act. In the 2001 biennium, the funds will be used primarily to hire an executive director and a support staff.

### Treasure State Endowment

The legislature appropriated \$3.0 million in the 2001 biennium to allow funding of all but \$300,000 of all projects on the 1999 legislature's approved list of treasure state endowment projects. The project manager states that projects will be funded as the communities complete all necessary preliminary work. Therefore, it is not known at this point in time which project may not be fully funded in this biennium. The 1999 legislature made provision in HB 11 that any projects not funded in this biennium would move to the top of the approved list for the next biennium. Table 8 shows the list of all projects.

### Water and Sewer Pre-Engineering

The legislature statutorily appropriated \$425,000 in each of the 2003 and 2005 biennia from the Treasure State Endowment special revenue account to provide grants to communities for water and sewer pre-engineering work. The object of the appropriation is to provide the resources necessary to allow communities to do the preliminary work necessary to apply for Treasure State Endowment project grants. The Treasure State Endowment special revenue account is funded from a set amount of the coal severance tax. Because the legislature traditionally appropriates all anticipated funds for projects, this appropriation will reduce the number of projects the legislature can fund.

# HB 1 - ECONOMIC DEVELOPMENT

**Table 8**  
**Treasure State Endowment Program Grants - 2001 Biennium**  
**Approved by the 56th Legislature**

Order	Applicant	Utility	Grant Award	Cumulative Total
1	Harrison Water and Sewer District	Wastewater	\$ 500,000	\$ 500,000
2	Arlee Water and Sewer District	Wastewater	\$ 500,000	\$ 1,000,000
3	Highwood County Water and Sewer District	Water	\$ 400,000	\$ 1,400,000
4	City of Missoula	Wastewater	\$ 500,000	\$ 1,900,000
5	City of Thompson Falls	Water	\$ 500,000	\$ 2,400,000
6	Town of Philipsburg	Water	\$ 121,900	\$ 2,521,900
7	Town of Ekalaka	Wastewater	\$ 87,200	\$ 2,609,100
8	Rae Water and Sewer District	Wastewater	\$ 485,850	\$ 3,094,950
9	City of Big Timber	Wastewater	\$ 500,000	\$ 3,594,950
10	City of Glasgow	Wastewater	\$ 500,000	\$ 4,094,950
11	Corvallis County Sewer District	Wastewater	\$ 410,760	\$ 4,505,710
12	Town of Boulder	Water	\$ 500,000	\$ 5,005,710
13	Town of Denton	Wastewater	\$ 415,000	\$ 5,420,710
14	City of Cut Bank	Water	\$ 500,000	\$ 5,920,710
15	Richland County	Bridge	\$ 181,155	\$ 6,101,865
16	Town of Geraldine	Wastewater	\$ 300,000	\$ 6,401,865
17	Augusta Water and Sewer District	Wastewater	\$ 500,000	\$ 6,901,865
18	City of Havre	Water	\$ 303,747	\$ 7,205,612
19	Sweetgrass Community County Water/Sewer	Wastewater	\$ 213,000	\$ 7,418,612
20	Lewis and Clark County	Bridge	\$ 500,000	\$ 7,918,612
21	Town of Drummond	Wastewater	\$ 292,850	\$ 8,211,462
22	South Hills Water and Sewer District	Water	\$ 500,000	\$ 8,711,462
23	City of Helena	Water	\$ 500,000	\$ 9,211,462
24	City of Red Lodge	Wastewater	\$ 500,000	\$ 9,711,462
25	Chester	Water	\$ 220,150	\$ 9,931,612
26	Willow Ck Sewer Dist., Gallatin Co	Wastewater	\$ 500,000	\$ 10,431,612
27	City of Columbia Falls	Wastewater	\$ 500,000	\$ 10,931,612
28	Lacasa Grande Water&Sewer Dist, L&C Co	Water	\$ 500,000	\$ 11,431,612
29	*Elk Meadows Water/Sewer Dist, Missoula C	Water	\$ 210,000	\$ 11,641,612
30	*City of Harlem	Water	\$ 179,311	\$ 11,820,923
31	*Midvale Water/Sewer Dist., Lincoln Co.	Water	\$ 374,720	\$ 12,195,643
32	*City of Shelby	Water	\$ 400,000	\$ 12,595,643
Total Grants Authorized			<u>\$ 12,595,643</u>	

\* Funding for these projects is contingent upon available revenues (1999 Regular Session).

\*\* Funding for these projects is not expected to be available from regular TSEP funding in the 2001 biennium. (May 2000 Special Session)

## HB 4 - PROPERTY TAX RELIEF/EDUCATION FUNDING

House Bill 4 increases state aid to K-12 school districts by increasing state spending and redistributing state motor vehicle revenue. Specifically, HB 4 accomplished the following:

- Increases the percentage of direct state aid from 41.8 percent to 44.7 percent beginning fiscal 2001.
- Increases the basic entitlements and per-ANB entitlements by 3 percent beginning fiscal 2001.
- Redistributes the state's share of light vehicle revenue to local jurisdictions and eliminates Office of Public Instruction (OPI) motor vehicle reimbursements to districts' general fund enacted in SB 184.
- Changes the distribution of local option vehicle taxes enacted in HB 540 (motor vehicle initiative), and redefines the class of vehicles from which the revenue will be distributed to state highway account enacted in HB 540.
- Eliminates the "Land Cap" enacted in SB 184 beginning January 1, 2002. The land cap allows certain qualifying land to be valued at an amount equal to or less than 75 percent of the value of structures on the land.

- Reserves \$37 million of fiscal 2001 ending fund balance for additional reimbursements to local governments and school districts during the 2003 biennium.

### Impact on Fiscal 2001 Appropriations

For fiscal 2001, HB 4 appropriates \$20 million for BASE Aid to school districts above the amount appropriated in HB 2, SB 100 and SB 184. As shown in Table 9, increasing the direct state aid percent to schools increases state costs by \$9.8 million in fiscal 2001. An additional \$13.3 million will be spent by the state during fiscal 2001 as a result of increasing the schedules by 3 percent. As a result of the redistribution of light vehicle revenue to local jurisdiction (and requiring schools to budget in fiscal 2001 98 percent of light vehicle revenues actually received in fiscal 1999), the state will save \$3.1 million in district general fund GTB.

The elimination of the OPI light vehicle reimbursement will save the state \$2.2 million. Therefore, the net cost to the state of the passage of HB 4 in the 2001 biennium is \$17.8 million.

In addition to the increased BASE aid appropriation authority for fiscal 2001 embodied in HB 4, expected state BASE aid costs during the 2001 biennium will require a supplemental of \$9.8 million. (See supplemental on page 7).

TABLE 9  
Impact of HB 4 on State Distribution to K-12 - 2001 Biennium  
Millions of Dollars

	HB2				House Bill 4 Incremental Impacts				Sum HB2 + HB4 Fiscal 2001	Expected Supplemental Biennium	Model HB4 Fiscal 2001
	Appropriated Fiscal 2000	Expected Fiscal 2000	Supplemental Fiscal 2000	Appropriated Fiscal 2001	Motor Vehicle Fiscal 2001	Direct State Aid Increase Fiscal 2001	Schedule Increase Fiscal 2001	Total HB4 Impact Fiscal 2001			
BASE Aid Supplemental	\$421.707	\$426.263	\$4.556	\$424.041	(\$3.063)	\$9.807	\$13.255	\$20.000	\$444.041	\$9.776	\$449.261
Direct State Aid	284.851	284.947	0.096	290.469	-	20.224	9.651	29.875	320.344	1.483	321.731
GTB - School General Fund	117.598	120.237	2.638	114.314	(3.063)	(10.417)	3.605	(9.875)	104.439	3.729	105.530
GTB - School Retirement	19.258	21.079	1.821	19.258	-	-	-	-	19.258	4.563	22.000
School Facility Reimbursement	3.500	3.500	-	4.000	-	-	-	-	4.000	-	4.000
Special Education	33.900	33.900	-	33.900	-	-	-	-	33.900	-	33.900
Transportation	10.710	10.710	-	10.810	-	-	-	-	10.810	-	10.810
Instate Treatment	0.975	0.975	-	0.975	-	-	-	-	0.975	-	0.975
Timber Harvest	1.640	1.418	(0.222)	1.760	-	-	-	-	1.760	(0.222)	1.760
Secondary Vo Ed	0.715	0.715	-	0.715	-	-	-	-	0.715	-	0.715
Adult Basic Ed	0.250	0.250	-	0.250	-	-	-	-	0.250	-	0.250
Gifted & Talented	0.150	0.150	-	0.150	-	-	-	-	0.150	-	0.150
Montana Science Institute Grant	0.000	-	-	0.000	-	-	-	-	-	-	-
Improving Montana Schools	0.000	-	-	0.000	-	-	-	-	-	-	-
School Food	0.649	0.649	-	0.649	-	-	-	-	0.649	-	0.649
Technology Grants	0.000	-	-	0.000	-	-	-	-	-	-	-
Motor Vehicle Reimbursements	0.000	-	-	2.230	(2.230)	-	-	(2.230)	-	-	-
Other	0.138	0.138	-	0.142	-	-	-	-	0.142	-	0.142
Total	\$474.333	\$478.667	\$4.334	\$479.622	(\$5.293)	\$9.807	\$13.255	\$17.770	\$497.392	\$9.554	\$502.612

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## HB 4 - PROPERTY TAX RELIEF/EDUCATION FUNDING

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### Impact during the 2003 Biennium

The increase in schedules and the increase in the direct state aid percentage enacted in HB 4 will become present law in the 2003 biennium and will increase state K-12 spending. HB 4 is expected to increase state BASE Aid to school districts by \$43.7 million during the 2003 biennium. Partially offsetting this increase in BASE Aid will be a reduction in OPI light vehicle reimbursements to districts' general fund in the amount of \$8.8 million during the 2003 biennium. HB 4 also permanently redistributes the state share of light vehicle revenues to local governments, approximately \$8.2 million per year, beginning July 1, 2000. The total costs of HB 4 to the state during the 2003 biennium is \$43.1 million above the present law amount before passage of HB 4.

# HJR 1 – REVENUE ESTIMATES

## Revise General Fund Revenue Estimates for 2001 Biennium

House Joint Resolution 1 (HJR 1), enacted by the special legislative session, revised the general fund revenue estimates from those contained in HJR 2 of the 56<sup>th</sup> Legislature. Total revisions were a net increase of \$73.0 million for the 2001 biennium. Table 10 shows the dollar amount of the revisions by individual category.

Table 10 Adjustments From House Joint Resolution 2 General Fund Revenue Estimates Figures In Millions			
Source of Revenue	Estimated Fiscal 2000	Estimated Fiscal 2001	Estimated Fiscal 00-01
Individual Income Tax	35.462	35.066	70.528
Property Tax	(1.524)	(4.224)	(5.748)
Corporation Income Tax	(3.162)	7.096	3.934
Tobacco Settlement	(2.624)	(4.084)	(6.708)
All Other Revenue	1.136	0.000	1.136
US Federal Royalty	1.335	1.490	2.825
Oil Severance Tax	<u>3.323</u>	<u>3.680</u>	<u>7.003</u>
Total General Fund	\$33.946	\$39.024	\$72.970

## Explanation of the Revisions

### Individual Income Tax

Estimated individual income tax revenue for the 2001 biennium increases **\$70.5** million from the amount estimated in HJR 2. The increase is the result of adjusting the growth rate assumptions for wage/salary and capital gain incomes and applying these rates to the calendar 1998 tax base. The actual calendar 1998 tax base was not available during the 1999 legislative session. The adjustments to the assumptions are as follows: 1) wage/salary income is estimated to increase 6.1 percent from calendar 1998 to 1999 and 5.0 percent thereafter; and 2) capital gains income is estimated to increase 15 percent from calendar 1998 to 1999, zero percent from calendar 1999 to 2000, and 10 percent thereafter.

### Property Tax and Non-Levy

Property tax revenue to the general fund during the 2001 biennium is estimated to be **\$5.7** million below the amount estimated in HJR 2. The estimates during

the session were based on tax year 1998 data whereas the new estimates are based on tax year 1999 property tax data. In addition, more refined estimates of the effects of the property tax legislation passed by the 1999 legislature are now available. The property tax legislation passed by the 1999 legislature was: 1) SB 200 (reduce business equipment tax rates from 6 percent to 3 percent); 2) HB 128 and HB 174 (reduce the tax rates on telecommunications and electrical generation property); and 3) SB 184 (phase in reappraisal for residential and commercial real estate, create exemptions and lower the class 4 tax rates)

### Corporation Income Tax

The 2001 biennium general fund revenue estimate for corporation income tax is expected to increase **\$3.9** million when compared to the estimate contained in HJR 2. The increase is due to: 1) payment timing differences of “one-time” revenue associated with the sale of electrical generation assets; and 2) higher than anticipated collections of “on-going” corporation income tax. The biennial estimate for corporation income tax excludes any state general fund impact of the divestiture of MPC assets and the purchase of qualifying facilities contracts.

### Tobacco Settlement Payments

It is estimated that the 2001 biennium proceeds from the tobacco settlement will be \$60.1 million, or **\$6.7** million less than anticipated in HJR 2. Montana’s payments are affected by a number of factors, including increases for inflation and decreases if the number of cigarettes shipped on a national basis declines. Due to large price increases for cigarettes in 1999, the number of cigarettes shipped declined 14.0 percent, more than the 2 percent anticipated by the states. This effect is cumulative, and when combined with moderate declines for subsequent years, settlement payments are expected to be less than anticipated.

### All Other Revenue

Although the Department of Natural Resources and Conservation has requested approval of a \$4.3 million wildfire supplemental (included in these projections), it is estimated that a reimbursement from federal agencies to the general fund will be **\$1.1** million.



# HJR 1 – REVENUE ESTIMATES

## Revenues Influenced by Oil Prices (US Federal Royalty and Oil Severance Tax)

Revenue to the general fund from oil production is expected to increase by **\$9.8** million in the 2001 biennium above HJR 2 estimates. This is the result of actual calendar 1998 and 1999 prices per barrel being higher than estimated and prices of \$22 per barrel for each year of the 2001 biennium. Estimated revenues from oil severance taxes, non-levy property taxes, and US federal royalty payments are impacted by oil price changes.

## Revised General Fund Revenue Estimates

Table 11 shows the revised general fund revenue estimates by revenue category contained in HJR 1.

<b>Table 11</b> <b>House Joint Resolution 1</b> <b>General Fund Revenue Estimates</b> Figures In Millions				
Source of Revenue	Actual Fiscal 1999	Estimated Fiscal 2000	Estimated Fiscal 2001	Estimated Fiscal 00-01
Individual Income Tax	\$483.032	\$511.099	\$531.786	\$1,042.885
Property Tax	201.759	191.893	173.193	365.086
Corporation Income Tax	80.142	91.939	72.730	164.669
Common School Interest & Income	41.433	42.506	42.215	84.721
Permanent Trust Interest Earnings	16.698	41.115	41.453	82.568
Insurance Premiums Tax	38.137	38.629	36.646	75.275
Tobacco Settlement		34.805	25.325	60.130
All Other Revenue	35.115	19.264	18.098	37.362
US Federal Royalty	17.650	19.827	19.735	39.562
TCA Interest Earnings	17.920	14.478	14.490	28.968
Inheritance Tax	18.302	16.733	17.587	34.320
Video Gaming Tax	12.559	13.389	14.124	27.513
Motor Vehicle License Fee	11.053	12.391	12.606	24.997
Institution Reimbursements	11.136	9.697	10.041	19.738
Cigarette Tax	8.823	9.810	9.946	19.756
Coal Severance Tax	9.284	8.309	7.787	16.096
Oil Severance Tax	6.481	9.373	10.305	19.678
Lottery Profit	6.780	6.537	6.464	13.001
Liquor Excise Tax	6.666	6.628	6.744	13.372
Nursing Facilities Fee	5.713	5.981	5.874	11.855
Telephone License Tax	6.037	3.167	0.000	3.167
Telephone Excise Tax		12.372	23.936	36.308
Liquor Profits	6.000	5.667	5.754	11.421
Electrical Energy Tax	4.618	4.567	4.606	9.173
Wholesale Energy Tax		1.701	3.425	5.126
Investment Licenses	4.413	4.691	4.978	9.669
Highway Patrol Fines	3.755	4.657	5.009	9.666
Drivers' License Fee	3.234	2.242	1.925	4.167
Metalliferous Mines Tax	3.306	3.388	3.225	6.613
Contractors Gross Receipts Tax	3.320	3.176	3.520	6.696
Railcar Tax	2.074	2.130	2.153	4.283
Tobacco Tax	1.791	1.995	2.116	4.111
Long Range Bond Excess	0.386	0.261	0.243	0.504
Natural Gas Severance Tax	1.024	1.124	1.109	2.233
Wine Tax	0.965	1.039	1.099	2.138
Beer Tax	<u>0.374</u>	<u>0.362</u>	<u>0.366</u>	<u>0.728</u>
Total General Fund	\$1,069.980	\$1,156.942	\$1,140.613	\$2,297.555

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## OTHER SESSION BILLS

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### HB 2 - Feed Bill

The legislature provided \$426,900 general fund to fund expenses of the special session. This amount covers all session-related costs, including pre-session hearings. Any amount remaining after final payment of bills will revert to the general fund.

### House Bill 7 – Submit Repeal of State Inheritance Tax to Electors

In the May 2000 special session, the 1999 legislature passed HB 7 and referred the question of whether the act will become effective to the electorate. If approved by voters in November, the legislation will repeal state inheritance taxes. The act is effective upon approval by the electorate and applies to deaths occurring after December 31, 2000. If approved, deposits to the general fund will be reduced by an estimated \$19.2 million in the 2003 biennium and a greater amount in the 2005 biennium. Lineal descendants are already exempt. Elimination of this tax potentially impacts 800 to 900 estates per year.

### HJR 2 – Opposition to Redesignation of Missouri River

HJR 2 is a Joint Resolution of the Senate and the House of Representatives of the State of Montana opposing any new designation for the Missouri River. There would be no fiscal impact resulting from this legislation.

### HJR 3 – Urge Congress to Modify Estate Taxes

HJR 3 was passed to urge Congress to revise/reduce Federal estate taxes. The resolution, by itself, does not have a fiscal impact.

### SB 2 – Reduce Foreign Capital Depository Tax Rate and Revise Computation

SB 2 reduced the semiannual tax on foreign capital depositories from 0.75 percent to 0.375 percent. The method of assessment was changed to be based on the average balance of the value of assets on deposit at the end of each month in the six month period prior to June

15 and December 15. Based on assumptions by the executive, the reduction in the tax rate could entice \$1.7 billion in deposits between July 2000 and September 2001 and generate general fund tax revenue of \$7.1 million in the 2001 biennium and \$26.1 million in the 2003 biennium. Since the current law that directs that the June semiannual tax payment be used for income tax relief remains in effect, the executive estimates that \$11.4 million will be returned to taxpayers as an income tax credit in the 2003 biennium. The net impact of the Senate Bill 2 is a general fund increase of \$7.1 million in the 2001 biennium and \$14.6 million in the 2003 biennium.

### SB 4 – Clarify Bonding Authority for Aerospace Technology Infrastructure

The legislature passed SB 4 to add some clarification to the statute allowing the Board of Examiners to authorize bonds for “aerospace, transportation, and technology infrastructure development projects. The specific reference to the “venture star” project (in HB 555 of the regular session) was replaced with a less specific description of the type of projects to be authorized. The bill included other clarifying language. The fiscal note that accompanied SB 4 indicated an unknown impact that would be dependent upon the completion of potential projects.

### SB 6 – Invest Coal Tax Trust Funds in Businesses Loans

SB 6 provides that the Board of Investments may jointly participate with private financial institutions in making loans to a business enterprise that meets certain criteria. Loans would be from the Permanent Coal Tax Trust. The business must be able to show that it will add at least 15 permanent, full-time jobs in Montana and the business enterprise must have a cash equity position greater than 25 percent. The Board of Investments is required to provide 75 percent of the total loan amount. The act places limits on various aspects of the loan transaction, including interest rates and the amount that can be loaned. Fiscal impact occurs if such loans are issued because the interest earned from the loans would be lower than interest currently earned by the Trust (potential annual cost to the general fund would be \$3 million). On the other hand, business expansion adds to the tax base and can have a positive effect on general fund revenues.

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## OTHER SESSION BILLS

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### SB 7 – New Alternative Livestock Ranch License Applications Moratorium

SB 7 places a moratorium on alternative livestock licenses issued by the Department of Fish, Wildlife, and Parks (FWP). The bill states that FWP may not accept any new applications for initial alternative livestock ranches until a live test for chronic wasting disease is developed and approved by the Department of Livestock. The bill's fiscal note indicates a loss of \$2,100 in state special revenue for fiscal year 2001, 2002, and 2003 and a reduction of \$108,000 in operating expenses in fiscal year 2002. The bill has an immediate effective date.

### SB 9 – Open Pit Mine Reclamation

SB 9 revises reclamation requirements to provide standards for reclamation of open pits and rock faces. The bill declares that the reclamation of open pits and rock faces does not require backfilling unless backfilling is necessary to prevent violations of air and water quality standards provided in Title 75. The bill has an immediate effective date and is retroactive to permits and permit amendments approved by the Department of Environmental Quality (DEQ) after September 30, 1995. The bill's fiscal note indicates that there will be no fiscal impact to DEQ.

### SB 11 - Montana Aviation Fuel Tax Fix

SB 11 corrected an error that occurred with the temporary vs. permanent fuel tax statutes. In 1999 the legislature passed SB 205, which increased the aviation fuel tax by one cent per gallon, exempted military fuel, and required that 50 percent of the one cent paid by the airlines go into a grant account for pavement preservation at the airports they serve. The language only amended the "temporary" statute which will sunset (later this year) when the deposits into that airport loan account reaches \$1.0 million. SB 11 amended the permanent fuel tax statute to allow for the one cent increase.

### SB 13 - Tobacco Settlement Trust Fund

SB 13 places a referendum on the November 2000 ballot to amend the state constitution to establish a trust fund for at least 40 percent of the tobacco settlement proceeds. Settlement proceeds would be deposited to the trust fund beginning January 1, 2001. Nine-tenths of investment earnings from the trust fund would be available for the legislature to appropriate and the remaining one-tenth would remain in the trust as principal. The principal of the trust fund would remain in the trust unless appropriated by a two-thirds vote of each house of the legislature.

Appropriations of the investment earnings or principal of the trust fund could only be used for tobacco disease prevention programs and state programs providing benefits, services, or coverage that are related to health care needs of Montanans. Appropriations from the trust fund could not be used to replace state or federal funds used to fund tobacco disease prevention programs and state health related programs that existed on December 31, 1999.

If approved by the voters in November, the initiative would divert an estimated \$10.1 million from the general fund in the 2001 biennium and \$24.0 million in the 2003 biennium to the trust fund. The 2001 legislature would have an estimated \$4.8 million of investment earnings from the trust fund to appropriate for tobacco prevention and control and health care programs in the 2003 biennium. By the end of the 2003 biennium, the balance in the trust fund would be an estimated \$12.3 million.



